PETROMIN RESOURCES LTD.

Consolidated Annual Financial Statements

Year ended September 30, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Petromin Resources Ltd.

We have audited the accompanying consolidated financial statements of Petromin Resources Ltd., which comprise the consolidated statements of financial position as at September 30, 2013 and 2012 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Petromin Resources Ltd. as at September 30, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Petromin Resources Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

January 28, 2014

PETROMIN RESOURCES LTD.

Consolidated Financial Statements
Year Ended September 30, 2013

PETROMIN RESOURCES LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
AS AT

		September 30 2013		September 30 2012
Assets				
Current				
Cash (Note 5)	**$**	**-**	$	153,626
Accounts receivable (Note 6)		**256,815**		303,533
		256,815		457,159
Prepaid expenses		**8,139**		8,139
Long-term equity investment (Note 7)		**1,010,186**		1,106,612
Exploration and evaluation assets (Note 9)		**-**		163,824
Equipment (Note 8)		**9,055**		12,095
Oil and gas interests (Note 10)		**1,485,953**		865,943
Total assets	**$**	**2,770,148**	$	2,613,772
Liabilities				
Current				
Bank overdraft (Note 5)	**$**	**8,824**	$	-
Accounts payable and accrued liabilities		**1,177,514**		662,499
Payable to related parties (Note 11)		**326,947**		217,443
Project advance (Note 12)		**-**		131,311
		1,513,285		1,011,253
Decommissioning liabilities (Note 13)		**109,503**		93,158
Shareholders' Equity				
Share capital (Note 14)		**18,359,874**		18,169,374
Share-based payments reserve (Note 14)		**1,978,264**		1,978,264
Convertible debentures (Note 15)		**630,000**		630,000
Deficit		**(19,820,778)**		(19,268,277)
Total shareholders' equity		**1,147,360**		1,509,361
Total liabilities and shareholders' equity	**$**	**2,770,148**	$	2,613,772

Nature and continuance of operations (Note 1)
Commitment (Note 20)
Subsequent event (Note 22)

Approved by the Board of Directors and authorized for issue on January 25, 2014:

"A. Ross Gorrell" Director "Kenny Chan" Director

The accompanying notes are an integral part of these consolidated financial statements.

PETROMIN RESOURCES LTD.

Consolidated Statements of Operations and Comprehensive Loss
For the years ended September 30, 2013 and 2012
(Expressed in Canadian dollars)

		2013		2012
Revenue				
Petroleum and natural gas sales	**$**	**992,461**	$	844,399
Royalties		**32,553**		28,266
		1,025,014		872,665
Other income (Note 11)		**-**		30,200
		1,025,014		902,865
Expenses				
Operating and production		**867,393**		651,426
General and administrative (Note 16)		**489,599**		626,404
Share-based compensation (Note 14)		**-**		224,738
Depletion and depreciation (Notes 8 and 10)		**82,918**		93,012
		(1,439,910)		(1,595,580)
Loss on equity investment (Note 7)		**(96,426)**		(88,539)
Interest and financing charges		**(57,383)**		(57,594)
Recovery of aging payables		**78,686**		-
Loss on write-off of accounts receivables		**(62,482)**		-
Net loss and comprehensive loss for the year	**$**	**(552,501)**	$	(838,848)
Basic and diluted loss per share	**$**	**(0.01)**	$	(0.01)
Weighted average number of common shares outstanding		**68,921,223**		60,858,758

The accompanying notes are an integral part of these consolidated financial statements.

PETROMIN RESOURCES LTD.

Consolidated Statement of Changes in Shareholders' Equity
For the years ended September 30, 2013 and 2012
(Expressed in Canadian dollars)

	Number of common shares		Share capital		Share-based payments reserve		Convertible debentures (Note 15)		Deficit		Total
Balance, September 30, 2011	**58,294,374**	**$**	**17,748,045**	**$**	**1,747,355**	**$**	**630,000**	**$**	**(18,429,429)**	**$**	**1,695,971**
Common shares issued	9,000,000		450,000		-		-		-		450,000
Share issuance costs - cash	-		(22,500)		-		-		-		(22,500)
Share issuance costs - warrants	-		(6,171)		6,171		-		-		-
Share-based compensation	-		-		224,738		-		-		224,738
Loss for the year	-		-		-		-		(838,848)		(838,848)
Balance, September 30, 2012	**67,294,374**	**$**	**18,169,374**	**$**	**1,978,264**	**$**	**630,000**	**$**	**(19,268,277)**	**$**	**1,509,361**
Common shares issued	3,850,000		192,500		-		-		-		192,500
Share issuance costs - cash	-		(2,000)		-		-		-		(2,000)
Loss for the year	-		-		-		-		(552,501)		(552,501)
Balance, September 30, 2013	**71,144,374**	**$**	**18,359,874**	**$**	**1,978,264**	**$**	**630,000**	**$**	**(19,820,778)**	**$**	**1,147,360**

The accompanying notes are an integral part of these consolidated financial statements.

PETROMIN RESOURCES LTD.

Consolidated Statements of Cash Flows
For the years ended September 30, 2013 and 2012
(Expressed in Canadian dollars)

		2013		2012
Cash flows from operating activities				
Loss for the year	**$**	**(552,501)**	$	(838,848)
Add items not affecting cash				
Interest on decommissioning liabilities		**1,308**		1,325
Share-based compensation		**-**		224,738
Depletion and depreciation		**82,918**		93,012
Loss on of equity investment		**96,426**		88,539
Loss on allowance for doubtful accounts		**-**		30,800
Loss on write-off of accounts receivable		**62,482**		-
Net changes in non-cash working capital items related to operations				
Accounts receivable		**(15,764)**		(68,829)
Prepaid expenses		**-**		(898)
Payable to related parties		**109,504**		(51,141)
Accounts payable and accrued liabilities		**286,684**		117,084
Net cash flows used in operating activities		**71,057**		(404,218)
Cash flows from investing activities				
Acquisition of equipment		**-**		(3,336)
Project advance		**(131,311)**		(394,219)
Additions to oil and gas properties and exploration and evaluation assets		**(292,696)**		(84,924)
Net cash flows from (used in) investing activities		**(424,007)**		(482,479)
Cash flows from financing activities				
Proceeds from private placement, net of share issuance costs		**190,500**		427,500
Borrowing from bank		**8,824**		-
Net cash flows from financing activities		**199,324**		427,500
Change in cash for the year		**(153,626)**		(459,197)
Cash, beginning of year		**153,626**		612,823
Cash, end of year		**-**		153,626
Supplementary Cash Flow Information				
Interest paid	**$**	**1,274**	$	1,224
Income taxes paid	**$**	**-**	$	-
Supplementary Non-Cash Information				
Change in estimate relating to decommissioning liabilities	**$**	**15,037**	$	1,620
Accounts payable related to exploration and evaluation assets	**$**	**-**	$	134,837
Fair value of agents warrants issued		**-**		67,877
Accounts payable related to capitalized oil and gas properties	**$**	**363,168**	$	-
Exploration and evaluation assets transferred to oil and gas properties	**$**	**163,824**	$	-

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature and Continuance of Operations

Petromin Resources Ltd. (the "Company") was incorporated under the laws of British Columbia in 1985, and is a publicly traded company with its shares listed on the TSX Venture Exchange. The Company is principally engaged in the acquisition, exploration and development of interests in oil and natural gas projects in Canada.

The address of the Company's corporate office and principal place of business is #1120 – 1090 West Pender Street, Vancouver B.C., Canada, V6E 3N7.

These consolidated financial statements comprise the financial statements of Petromin Resources Ltd. and its wholly owned subsidiaries, International King Jack Hydrocarbons Inc. and Far East Oil & Gas Ltd. All inter-company balances and transactions have been eliminated upon consolidation.

The business of exploring and developing oil and natural gas properties involves a high degree of risk, and there can be no assurance that planned exploration and development programs will result in profitable oil and natural gas operations. The recoverability of amounts shown for capitalized exploration and evaluation assets and oil and gas interests are dependent on the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such properties at a profit. Changes in future conditions could require material write-downs of the carrying values of oil and natural gas interests.

Although the Company has taken steps to verify title to exploration and evaluation assets, and oil and gas interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

At September 30, 2013, the Company had working capital deficit of $1,256,470 and had not yet achieved profitable operations and is expected to incur further losses in the development of its business. For the year ended September 30, 2013, the Company reported a comprehensive loss of $552,501 and as at September 30, 2013 had an accumulated deficit of $19,820,778.

The Company has financed its exploration activities and operations through equity issuances and expects to continue to do so to the extent such instruments are issuable under terms acceptable to the Company until such time as its operations provide positive cash flows. Accordingly, the Company's consolidated financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. Management believes that the going concern assumption is appropriate for these consolidated financial statements based on their continuing ability to raise financing through share issuances. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable value of its assets may decline materially from current estimates. If the going concern assumption was not appropriate for these consolidated financial statements, then potentially material adjustments may be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used.

1. Nature and Continuance of Operations (cont'd...)

The current market conditions and volatility increases the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds. These items may cast a significant doubt upon the Company's ability to continue as a going concern.

2. Basis of Presentation

a) Statement of compliance

The financial statements for year ended September 30, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS, as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized by the Company's Board of Directors on January 28, 2014.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, and available-for-sale, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. The functional currency of the Company's wholly owned subsidiaries, International King Jack Hydrocarbons Inc. and for East Oil & Gas Ltd. is also the Canadian dollar.

c) Critical accounting estimates, judgments and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

2. Basis of Presentation (cont'd...)

c) Critical accounting estimates, judgments and assumptions (cont'd...)

The key sources of estimation uncertainty and judgment that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

Critical Judgments

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Deferred tax assets and liabilities

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income realized, including the use of tax planning strategies.

Identification of cash generating units

Cash generating units are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into cash generating units requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructure, and the way in which management monitors the Company's operations.

Key Sources of Estimation Uncertainty

(i) Assessment of commercial reserves

Management is required to assess the level of the Company's commercial reserves together with the future expenditures required to access those reserves. These assessments are utilized in determining the depletion charge for the period, assessing whether any impairment charge is required against producing and developed projects. By their nature, these estimates of discovered and probable crude oil and natural gas reserves, including the estimates of future prices, costs, related future cash flows and the selection of a pre-tax risk adjusted discount rate relevant to the asset in question, are subject to measurement uncertainty. The Company employs an independent reserves specialist who periodically assesses the Company's level of commercial reserves by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Company's assets. Significant judgment is involved when determining whether there have been any significant changes in the Company's crude oil and natural gas reserves.

(ii) 2. Basis of Presentation (cont'd...)**Share-based payments**

The Company has a stock option plan for directors, officers, employees and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of the grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated by using the Black-Scholes model on the date of the grant based on certain assumptions. Those assumptions are described in Note 14 and include, among others, expected volatility, expected life of the options and number of options expected to vest.

(iii) Decommissioning liabilities

The Company recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of oil and gas interests, when those obligations result from the exploration or development of its properties. The Company assesses its provision for site reclamation at each reporting date. Significant estimates and assumptions are made in determining the provision for site reclamation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required.

(iv) Depletion and valuation of oil and gas property

The amounts recorded for depletion of oil and gas properties and the valuation of cash-generating units of oil and gas properties are based on estimates. These estimates of proved and probable reserves, production rates, future petroleum prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Company's reserve estimates are evaluated consistent with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Company and its subsidiaries, to all periods presented in these consolidated financial statements.

3. Significant Accounting Policies (cont'd...)

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiaries as described in Note 1. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency

The Company's functional and reporting currency is the Canadian dollar. The functional currency of the Company's subsidiaries, as described in Note 2, is also the Canadian dollar. Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at historical rates. Any gains or losses resulting from translation have been included in net loss.

c) Cash and cash equivalents

The Company considers cash and cash equivalents to include cash on deposit and highly liquid short-term interest bearing investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

d) Revenue recognition

Revenue from the sale of oil and gas is recognized when title and the risks and rewards of ownership passes to the buyer, normally at the pipeline delivery point for natural gas and at the wellhead for crude oil, and when collection is reasonably assured.

e) Exploration and evaluation assets

Costs of exploring for and evaluating oil and natural gas properties are capitalized within exploration and evaluation assets. Exploration and evaluation assets do not include costs of general prospecting or evaluation costs incurred prior to having obtained the legal right to explore an area, which are expensed as incurred.

3. Significant Accounting Policies (cont'd...)

e) Exploration and evaluation assets (cont'd...)

Exploration and evaluation assets are not depleted or depreciated and are carried forward until technical feasibility and commercial viability is considered to be determined. The technical feasibility and commercial viability is generally considered to be determined when proved plus probable reserves are determined to exist and the commercial production of oil and gas has commenced. A review of each exploration license or field is carried out at least annually to ascertain whether the project is technically feasible and commercially viable. Upon determination of technical feasibility and commercial viability, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to oil and gas interests.

f) Oil and gas interests

All costs directly associated with the development of oil and natural gas reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure costs and transfers of exploration and evaluation assets.

Costs accumulated within each area are depleted using the unit-of-production method based on proved plus probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved and probable reserves.

For divestitures of properties, a gain or loss is recognized in the statement of operations and comprehensive loss. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in the statement of operations and comprehensive loss.

g) Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

3. Significant Accounting Policies (cont'd...)

g) Equipment (cont'd...)

Leasehold improvements	20%
Computer equipment	30%
Office equipment	20%

h) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that the carrying value may be impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the cash generating unit is the greater of the cash generating unit's fair value less costs to sell, and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations and comprehensive loss.Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognized immediately in the statement of operations and comprehensive loss.

i) Income taxes

Income tax for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

3. Significant Accounting Policies (cont'd...)

i) Income taxes (cont'd...)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

j) Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Company is in a loss position.

k) Segmented reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's President and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company manages its business on the basis of one reportable segment under one geographic region, being Canada.

l) Share-based payments

The Company recognizes share-based compensation expense based on the estimated fair value of the options granted. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

3. Significant Accounting Policies (cont'd...)

m) Decommissioning provisions

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of operations and comprehensive loss.

n) Financial instruments

All financial instruments are classified into one of five categories: fair-value-through-profit-and-loss, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities. All financial instruments and derivatives are recognized in the consolidated statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are recognized at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Fair-value-through-profit-and-loss financial assets are measured at fair value and changes in fair value are recognized in profit and loss. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is sold or impaired.

3. Significant Accounting Policies (cont'd...)

n) Financial instruments (cont'd...)

The Company has classified its cash as fair-value-through-profit-and-loss. Accounts receivable are classified as loans and receivables. Bank overdraft, accounts payable and accrued liabilities, and payable to related parties are classified as other financial liabilities, all of which are measured or recognized at amortized cost. The Company has no derivatives or embedded derivatives at the date of these consolidated financial statements.

The Company also provides the required disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data

See Note 18 for relevant disclosures.

o) Long-term equity investment

The Company utilizes the equity method of accounting for investments subject to significant influence. Under this method, investments are originally recorded at cost and adjusted thereafter to include the Company's pro-rata share of post-acquisition earnings or losses of the investee. Any dividends received or receivable from this investee would reduce the carrying value of the investment.

p) Comprehensive loss

Comprehensive loss consists of net loss and other comprehensive loss and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss is the same as net loss.

4. Recent Accounting Pronouncements

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.
- IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.
- IFRS 11 'Joint Arrangements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

(Expressed in Canadian dollars)

4. Recent Accounting Pronouncements (cont'd...)

- IFRS 12 'Disclosure of Interests in Other Entities' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.
- IFRS 13 'Fair Value Measurement' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.
- IAS 27 'Separate Financial Statements'– effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 'Investments in Associates and Joint Ventures' – effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.
- IFRS 7 'Financial Instruments: Disclosures' - effective for annual periods beginning on or after January 1, 2013.
- IAS 32 'Financial Instruments: Presentation' - effective for annual periods beginning on or after January 1, 2014.

The Company is currently evaluating the impact of these new and amended standards on its financial statements. The impact is not expected to have a material impact on the consolidated statements of financial position or results of operations.

5. Cash

Cash is comprised of cash at banks and on hand or bank overdraft balances. The Company had no cash equivalents as at September 30, 2013, and September 30, 2012.

6. Accounts Receivable

Accounts receivable are all current and include the following:

		September 30, 2013		September 30, 2012
Accounts receivable (net of allowance)	$	253,310	$	297,397
GST receivable		3,505		6,136
	$	256,815	$	303,533

As of September 30 2013, no allowance was estimated for doubtful accounts (2012 - $30,800) (Note 16). During the year ended September 30, 2013 the allowance estimated as at September 30, 2012 was reversed as the amount was written-off in full.

7. Long-term Equity Investment

Terrawest Energy Corp. ("Terrawest") is a Canadian privately owned coal bed methane development company. On November 6, 2007, the Company subscribed for 40,000,000 units of a private placement in Terrawest at a price of $0.015 per unit, each unit consisting of one common share and one common share purchase warrant, with each full warrant exercisable into one additional common share of Terrawest for a period of two years at a price of $0.03 per share.

On December 28, 2007, the Company purchased 700,000 preferred shares at a price of $0.015 per share from preferred shareholders of Terrawest.

On March 18, 2009, the Company exercised warrants to purchase an additional 16,666,667 common share of Terrawest at a price of $0.03 per share.

On November 1, 2009, the Company exercised warrants to purchase an additional 16,666,667 common shares of Terrawest at a price of $0.03 per share. The remaining 6,666,666 warrants expired unexercised.

As at September 30, 2013, the Company holds 22.28% (2012 – 22.28%) interest in Terrawest, and the investment has been accounted for using the equity method of accounting. The Company recognized investment losses of $96,426 (September 30, 2012 - $88,539) for the year ended September 30, 2013. The Company has two directors in common with Terrawest.

(Expressed in Canadian dollars)

8. Equipment

	Leasehold improvements	Computer equipment	Office equipment	Total
Cost				
Balance, September 30, 2011	$ 37,781	$ 64,147	$ 18,738	$ 120,666
Additions	-	2,056	1,280	3,336
Balance, September 30, 2012	37,781	66,203	20,018	124,002
Additions	-	-	-	-
Balance, September 30, 2013	$ 37,781	$ 66,203	$ 20,018	$ 124,002
Accumulated depreciation				
Balance, September 30, 2011	$ (21,279)	$ (57,350)	$ (12,964)	$ (91,593)
Depreciation for the year	(16,502)	(2,656)	(1,156)	(20,314)
Balance, September 30, 2012	(37,781)	(60,006)	(14,120)	(111,907)
Depreciation for the year	-	(1,860)	(1,180)	(3,040)
Balance, September 30, 2013	$ (37,781)	$ (61,866)	$ (15,300)	$ (114,947)
Net book value				
September 30, 2011	$ 16,502	$ 6,797	$ 5,774	$ 29,073
September 30, 2012	$ -	$ 6,197	$ 5,898	$ 12,095
September 30, 2013	$ -	$ 4,337	$ 4,718	$ 9,055

9. Exploration and Evaluation Assets

In July 2013, the newly drilled Morningside well commenced commercial production. As a result, the previously recorded exploration and evaluation assets were reclassified to Oil and Gas Interests for the year ended September 30, 2013.

	Morningside
Balance, September 30, 2011	$ 17,253
Acquisition costs	11,734
Drilling costs	134,837
Balance, September 30, 2012	163,824
Acquisition costs	-
Drilling and completion costs	368,737
Reclassified to Oil and Gas interests (Note 10)	(532,561)
Balance, September 30, 2013	$ -

(Expressed in Canadian dollars)

10. Oil and Gas Interests

		Frog Lake		Redwater North		Gibly		Morningside		Total
Balance, September 30, 2011	$	797,607	$	50,644	$	28,628	$	8,055		884,934
Expenditures		52,087		-		-		-		52,087
Decommissioning liability		1,570		-		50		-		1,620
Depletion		(53,279)		(7,542)		(8,167)		(3,710)		(72,698)
Balance, September 30, 2012		797,985		43,102		20,511		4,345		865,943
Reclassified from exploration and evaluation assets (Note 9)		-		-		-		532,561		532,561
Expenditures		118,957		-		33,332		-		152,289
Decommissioning liability		7,187		4,264		1,791		1,796		15,038
Depletion		(60,727)		(9,202)		(8,789)		(1,160)		(79,878)
Balance, September 30, 2013	$	863,402	$	38,164	$	46,845	$	537,542	$	1,485,953

(Expressed in Canadian dollars)

11. Related Party Transactions

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Year ended September 30,	
	2013	2012
Share-based compensation	$ -	$ 189,422
Short-term benefits*	182,400	182,400
	$ 182,400	$ 371,822

*include base salaries pursuant to contractual employment, consulting, or management agreements. These have been recorded in wages and benefits and consulting fees.

Amounts due to related parties consist of $326,947 (September 30, 2012 - $217,443) to directors or officers of the Company, or to companies controlled by directors or officers of the Company.

The following transactions were carried out with other related parties:

i) Received or accrued $Nil(September 30, 2012 - $30,000) in management fees or reimbursements of expenses from Terrawest Energy Corp., a company with two directors in common, included in other income.

ii) Included in accounts receivable at September 30, 2013 is $Nil (September 30, 2012 - $57, 500) due from Terrawest Energy Corp., a company with two directors in common.

The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

(Expressed in Canadian dollars)

12. Project Advance

During the year-ended September 30, 2011, the Company farmed out its Morningside lease included in exploration and evaluation assets whereby the farmee would pay 100% of the budgeted drilling and completion costs to earn a 50% working interest after payout. As at September 30, 2011, the Company had received $525,530 from the farmee, which was recorded as a project advance. During the year ended September 30, 2012, the Company received another $180,000 advance from the farmee and as at September 30, 2012, the project advance balance was $131,311. During the year ended September 30, 2013, the Company received another $330,000 from the farmee. Actual expenditures on the project exceeded the budget. The overrun cost is added to the exploration and evaluation assets which was reclassified as Oil and Gas Interests in the fiscal year 2013. As of September 30 2013, the project advance balance was $Nil.

13. Decommissioning Liabilities

		September 30, 2013		September 30, 2012
Balance, beginning of year	$	93,158	$	90,213
Change in estimate		15,037		1,620
Interest		1,308		1,325
Balance, end of year	$	109,503	$	93,158

The following assumptions were used to estimate the decommissioning liabilities:

		September 30, 2013		September 30, 2012
Total escalated future costs	$	125,269	$	105,150
Discount rate, per annum		2.0%		2.0%
Inflation rate, per annum		1.9%		2%

These costs are expected to be made over 10 years with the majority of the costs to be incurred between 2013 and 2022.

14. Share Capital

a) Authorized capital

The authorized share capital consists of an unlimited number of common voting shares without nominal or par value.

(Expressed in Canadian dollars)

14. Share Capital (cont'd...)

b) Share and warrant issuances

On June 18, 2012, the Company completed a 9,000,000 unit private placement at a price of $0.05 per unit for total proceeds of $450,000. Each unit is comprised of one common share and one half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of $0.10 until June 17, 2013. The residual value associated with the finance warrants is $Nil. The Company incurred cash share issuance costs of $22,500, and issued 450,000 agent warrants with a value of $6,171 in connection with this financing. The agent warrants have an exercise price of $0.10 and expire on June 17, 2013. At the year ended September 30, 2013, the expiration date of the common share purchase warrants was extended to June 18, 2015. The agent warrants expired on June 17, 2013.

On April 23, 2013, the Company completed a 3,250,000 unit private placement at a price of $0.05 per unit with gross proceeds of $162,500. Each unit is comprised of one common share and one half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of $0.10 until April 24, 2015. The residual value associated with the finance warrants is $Nil. The Company incurred cash share issuance costs of $2,000 in connection with the financing.

On May 31, 2013, the Company completed a 600,000 common share private placement at a price of $0.05 per share with total proceeds of $30,000. 300,000 common share purchase warrants were issued with an exercise price of $0.10 per common share expiring October 1, 2015. The residue value associated with the finance warrants is $Nil. **c) Warrants**

The fair value of the agents' warrants issued during the year ended September 30, 2012 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

	September 30 2013	September 30 2012
Risk-free interest rate	n/a	2.41%
Expected life	n/a	1 year
Annualized volatility	n/a	119.63%
Dividend rate	n/a	0%

(Expressed in Canadian dollars)

14. Share Capital (cont'd...)

c) Warrants (cont'd...)

The following is a summary of warrants outstanding:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, September 30, 2011	-	$ -
Issued	4,950,000	0.10
Outstanding, September 30, 2012	4,950,000	$ 0.10
Issued	1,925,000	0.10
Expired	(450,000)	0.10
Outstanding, September 30, 2013	6,425,000	$ 0.10

The following is a summary of the outstanding warrants, with their respective expiry dates and exercise prices.

September 30, 2013			
Exercise Price	Number Outstanding	Expiry Date	Remaining Life (Years)
$ 0.10	1,625,000	April 24, 2015	1.56
0.10	4,500,000	June 18, 2015	1.72
0.10	300,000	October 1, 2015	1.69
$ 0.10	6,425,000		

d) Stock options

The Company has adopted an incentive stock option plan under the rules of the TSX-V pursuant to which it is authorized to grant stock options to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the stock option plan, the option exercise price of any option granted shall not be less than the market price of the Company's common shares. The options can be granted for a maximum term of 5 years, and vest immediately on the date of the grant or otherwise at the discretion of the Board. The plan must be approved each year at the annual general meeting of the shareholders.

During the year ended September 30, 2013, the Company granted Nil stock options (September 30, 2012 – 3,500,000).

(Expressed in Canadian dollars)

14. Share Capital (cont'd...)

d) Stock options (cont'd...)

The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options granted during the years ended September 30, 2013 and 2012:

	September 30, 2013	September 30, 2012
Risk-free interest rate	N/A	2.00%
Expected life of options	N/A	5 years
Annualized volatility	N/A	119.63%
Dividend rate	N/A	0%
Forfeiture rate	N/A	0%

Stock option transactions for the year ended September 30, 2013 and for the year ended September 30, 2012 are as follows:

	Number of options		**Weighted average exercise price**
Balance outstanding as at September 30, 2011	1,142,867	$	0.21
Granted	3,500,000		0.10
Expired	(392,867)		0.29
Balance outstanding at September 30, 2012 and 2013	4,250,000	$	0.11

As at September 30, 2013, the following stock options were outstanding and exercisable:

Number of Options Outstanding	**Exercise Price**	**Expiry Date**	**Exercisable**	**Remaining Life (years)**
200,000	$ 0.12	October 7, 2013	200,000	0.01*
100,000	$ 0.20	November 27, 2014	100,000	1.16
400,000	$ 0.20	February 19, 2015	400,000	1.39
50,000	$ 0.13	April 19, 2015	50,000	1.55
3,500,000	$ 0.10	September 16, 2017	3,500,000	3.96

* expired subsequent to year end.

(Expressed in Canadian dollars)

15. Convertible Debentures

During the year ended September 30, 2009, the Company issued 630 subordinated unsecured convertible debentures for proceeds of $630,000 to a company with two directors in common. Each debenture is convertible into 5,000 common shares in the capital of the Company for a price of $0.20 per share (the "Conversion Price"). The convertible debentures mature in August 2014. Interest is payable quarterly in arrears at 9% per annum. To the extent that the right to convert the debentures is not exercised before the maturity date, each unconverted debenture will automatically convert into common shares at the Conversion Price on the maturity date. As the Company has unrestricted ability to settle the principal through the issuance of fixed number of common shares at fixed Conversion Price, the convertible debentures are classified as shareholders' equity.

	September 30, 2013	September 30, 2012
	$ 630,000	$ 630,000

16. Expenses by Nature

General and administration expenses for year ended September 30, 2013 and 2012 consist of the following:

	Year ended September 30 2013	Year ended September 30 2012
Consulting fees	**$ 137,611**	$ 120,776
Filing agent and transfer fees	**18,087**	16,913
Office and miscellaneous	**100,180**	184,658
Professional fees	**35,415**	60,924
Travel and promotion	**7,375**	18,456
Allowance for doubtful accounts	**-**	30,800
Wages and benefits	**190,931**	193,877
Total	**$ 489,599**	$ 626,404

(Expressed in Canadian dollars)

17. Income Taxes

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

		2013		2012
Earnings (loss) for the year	$	(552,501)	$	(838,848)
Expected income tax (recovery)	$	(141,000)	$	(213,000)
Change in statutory, foreign tax, foreign exchange rates and other		(41,000)		64,000
Permanent Difference		-		57,000
Share issue cost		(1,000)		(6,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		-		-
Change in unrecognized deductible temporary differences		183,000		98,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		2013		2012
Deferred Tax Assets (liabilities)				
Oil and gas properties and exploration and evaluation assets	$	2,203,000	$	2,102,000
Property and equipment		6,000		12,000
Share issue costs		5,000		5,000
Non-capital losses available for future period		1,201,000		1,051,000
		3,415,000		3,170,000
Unrecognized deferred tax assets		(3,415,000)		(3,170,000)
Net deferred tax assets	**$**	**-**	**$**	**-**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2013	Expiry Date Range	2012	Expiry Date Range
Temporary Differences				
Oil and gas properties and exploration and evaluation assets	$ 8,472,000	No expiry	$ 8,407,000	No expiry
Property and equipment	24,000	No expiry	47,000	No expiry
Share issue costs	19,000	2034 to 2037	18,000	2033 to 2036
Non-capital losses available for future periods	4,621,000	2014 to 2033	4,206,000	2014 to 2032

18. Financial Risk Factors

The Company's financial instruments consist of cash, accounts receivable, bank overdraft, accounts payable and accrued liabilities, and payable to related parties. The fair value of the Company's accounts receivable, bank overdraft, accounts payable and accrued liabilities, and payable to related parties approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's other financial instrument, cash, recorded at fair value, under the fair value hierarchy, is based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. The Company's credit risk is limited to the carrying amount on the statement of financial position.

The Company's cash is held through Canadian chartered banks, which are high-credit quality financial institutions. The Company's receivables are primarily from customers operating in petroleum and natural gas industry within Canada and from related parties. During the year, the Company wrote off $62,482 in aged accounts receivable. The Company expects credit risk with the other remaining customers to be low.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining cash and short-term investment balances. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long term obligations. As disclosed in Note 1, the ability of the Company to continue as a going concern is dependent on many factors. The Company's cash is primarily invested in bank accounts. On September 30, 2013, the Company had current assets of $256,815 to settle current liabilities of $1,513,285. The Company expects to fund these liabilities through the issuance of capital stock over the coming year.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

18. Financial Risk Factors (cont'd...)

Market Risk (cont'd...)

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash is minimal because the Company's interest rate risk arises primarily from the interest received on cash and short-term investment, which is invested on a short term basis to enable adequate liquidity for payment of operational and capital expenditures.

The Company's convertible debentures bear interest at a fixed rate and therefore the Company does not have interest rate risk associated with its convertible debentures.

b) Commodity Price risk

The value of the Company's exploration and evaluation assets and oil and gas properties are dependent on the price of oil and gas. Market prices for the oil and gas historically have fluctuated widely and are affected by numerous factors outside the Company's control, including but not limited to, levels of worldwide production short term changes in supply and demand, industrial and retail demand, as well as certain other factors related specifically to oil and gas. If oil and gas prices decline for a prolonged period below the cost of production, it may not be economically feasible to continue towards production.

c) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Asia by using the US dollar currency from its Canadian dollar bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk

19. Capital Management

The Company's objectives when managing capital are to safeguard its assets while at the same time maintain investor, creditor and market confidence and to sustain future development of the business.

The oil and gas properties in which the Company currently has an interest have just begun commercial operation and are currently incurring losses; as such the Company is dependent on external financing to fund its activities. In order to carry out current operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. In the management capital, the Company includes its components of shareholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(Expressed in Canadian dollars)

19. Capital Management (cont'd…)

The Company and its subsidiaries are not subject to externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the year-ended September 30, 2013.

20. Commitments

The Company entered into a lease agreement for its office premises commencing October 1, 2012 and ending October 1, 2015. Lease payments in the amount of $51,964 are required as follows:

Fiscal year ending:	
September 30, 2014	25,982
September 30, 2015	25,982
	$ 51,964

21. Segment Information

The Company operates in the oil and gas industry in Canada. All of the Company's long term investments, equipment and oil and gas properties are located in Canada.

22. Subsequent Event

Subsequent to the year ended September 30, 2013, 2,450,000 stock options were granted with an exercise price of $0.05 and expire on October 31, 2018.